

R E P O R T

LOUISE S. DAVIS
DEVELOPMENTAL CENTER, INC.

JUNE 30, 2003 AND 2002

LOUISE S. DAVIS
DEVELOPMENTAL CENTER, INC.

JUNE 30, 2003 AND 2002

INDEX

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13 - 14
SUMMARY SCHEDULE OF FINDINGS	15 - 16



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INDEPENDENT AUDITOR'S REPORT

October 3, 2003

Board of Directors

Louise S. Davis Developmental Center, Inc.
7240 Crowder Blvd., Suite 401
New Orleans, LA 70127

We have audited the accompanying statements of financial position of Louise S. Davis Developmental Center, Inc. as of June 30, 2003 and 2002, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louise S. Davis Developmental Center, Inc. as of June 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2003 on our consideration of Louise S. Davis Developmental Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash (Notes 1 and 5)	\$ 74,574	\$ 217,224
Cash - restricted (Notes 1 and 5)	55,094	50,655
Accounts receivable (Note 1)	229,089	232,033
Prepaid expenses	10,109	4,892
Total current assets	<u>368,866</u>	<u>504,804</u>
PROPERTY AND EQUIPMENT: (Note 1)		
Land	520,333	562,818
Buildings and improvements	1,131,473	2,294,208
Transportation equipment	203,990	148,138
Furniture and fixtures	8,697	95,344
Equipment	64,264	220,640
	<u>1,928,757</u>	<u>3,321,148</u>
Less accumulated depreciation	(274,009)	(1,968,877)
Net property and equipment	<u>1,654,748</u>	<u>1,352,271</u>
OTHER ASSETS:		
Deposits	370	13,271
Total other assets	<u>370</u>	<u>13,271</u>
TOTAL ASSETS	<u>\$ 2,023,984</u>	<u>\$ 1,870,346</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable (Note 10)	\$ 121,787	\$ 70,606
Cash overdraft	-	10,142
Accrued expenses	36,853	44,440
Notes payable (Note 2)	20,630	826,756
Funds held for others (Note 1)	55,094	50,682
Accrued leave payable (Note 8)	78,343	49,397
Due to Government	-	14,799
Total current liabilities	<u>312,707</u>	<u>1,066,822</u>
LONG-TERM DEBT (Note 2)	<u>128,847</u>	<u>103,052</u>
Total liabilities	<u>441,554</u>	<u>1,169,874</u>
NET ASSETS:		
Unrestricted	1,582,430	700,472
Total net assets	<u>1,582,430</u>	<u>700,472</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,023,984</u>	<u>\$ 1,870,346</u>

See accompanying notes.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
 STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT: (Note 1)		
Governmental funding	\$ 2,473,990	\$ 2,525,523
Gifts/contributions	5,338	6,289
Interest	5,906	5,251
Client fees	201,493	231,329
Fund raising income	35,596	30,535
Miscellaneous	16,086	11,724
Gain on disposal of assets	1,172,576	-
Total revenue and support	<u>3,910,985</u>	<u>2,810,651</u>
EXPENSES:		
Program	2,584,685	2,448,075
Administrative	427,525	441,211
Fund raising	16,817	17,355
Total expenses	<u>3,029,027</u>	<u>2,906,641</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	881,958	(95,990)
NET ASSETS AT BEGINNING OF YEAR	<u>700,472</u>	<u>796,462</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,582,430</u>	<u>\$ 700,472</u>

See accompanying notes.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Program</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Advertising	\$ -	\$ 721	\$ -	\$ 721
Automobile	20,141	-	-	20,141
Bank charges	-	912	49	961
Client personal needs	10,274	-	-	10,274
Clothing	2,831	-	-	2,831
Data processing	-	2,371	-	2,371
Depreciation	31,166	6,084	75	37,325
Employee benefits	33,760	6,590	81	40,431
Food and dietary	58,233	-	3,372	61,605
Housekeeping	20,571	-	-	20,571
Insurance	115,216	22,491	276	137,983
Interest	-	13,394	-	13,394
Laundry and linen	2,404	-	-	2,404
Lease expense (Notes 4 and 9)	72,918	14,234	175	87,327
Licenses	5,920	-	-	5,920
Medical	20,159	-	-	20,159
Miscellaneous	-	10,864	4,500	15,364
Office supplies	12,605	2,461	3,923	18,989
Other costs of capital assets	19,738	-	-	19,738
Payroll taxes	114,890	22,428	275	137,593
Penalty	-	-	-	-
Plant operations and maintenance	96,572	-	-	96,572
Postage	2,199	429	221	2,849
Printing	-	-	-	-
Professional services	183,246	17,002	209	200,457
Recreation	2,914	-	14	2,928
Salaries	1,490,857	291,948	3,456	1,786,261
State provider fees (Note 6)	183,701	-	-	183,701
Subscriptions	677	-	-	677
Telephone	13,850	2,704	33	16,587
Therapy and training	1,190	-	-	1,190
Therapy and training - gardening project	-	-	-	-
Travel	2,610	-	-	2,610
Utilities	66,043	12,892	158	79,093
	<u>\$ 2,584,685</u>	<u>\$ 427,525</u>	<u>\$ 16,817</u>	<u>\$ 3,029,027</u>

See accompanying notes.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Program</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Advertising	\$ -	\$ 175	\$ -	\$ 175
Automobile	19,784	-	-	19,784
Bank charges	-	1,033	-	1,033
Client personal needs	16,036	-	-	16,036
Clothing	4,601	-	-	4,601
Data processing	-	-	-	-
Depreciation	65,370	11,667	147	77,184
Employee benefits	56,117	10,016	125	66,258
Food and dietary	58,875	-	5,027	63,902
Housekeeping	20,399	-	-	20,399
Insurance	88,664	15,824	199	104,687
Interest	-	82,917	-	82,917
Laundry and linen	767	-	-	767
Lease expense (Note 4)	4,796	856	11	5,663
Licenses	2,680	-	-	2,680
Medical	39,074	-	-	39,074
Miscellaneous	-	1,634	4,294	5,928
Office supplies	10,124	1,807	3,161	15,092
Other costs of capital assets	-	-	-	-
Payroll taxes	116,414	20,778	261	137,453
Penalty	-	1,640	-	1,640
Plant operations and maintenance	81,443	-	-	81,443
Postage	1,603	286	304	2,193
Printing	647	116	151	914
Professional services	108,165	14,167	178	122,510
Recreation	3,000	-	-	3,000
Salaries	1,480,042	264,153	3,319	1,747,514
State provider fees (Note 6)	187,188	-	-	187,188
Subscriptions	219	-	-	219
Telephone	11,056	1,973	25	13,054
Therapy and training	1,105	-	-	1,105
Therapy and training - gardening project	531	-	-	531
Travel	1,194	-	-	1,194
Utilities	68,181	12,169	153	80,503
	<u>\$ 2,448,075</u>	<u>\$ 441,211</u>	<u>\$ 17,355</u>	<u>\$ 2,906,641</u>

See accompanying notes.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 881,958	\$ (95,990)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	37,325	77,184
Gain on disposal of assets	(1,172,576)	-
(Increase) decrease in operating assets:		
Accounts receivable	2,944	(28,296)
Prepaid expenses	(5,217)	(1,145)
Due from estate	-	172,051
Deposits	12,901	(2,000)
Increase (decrease) in operating liabilities:		
Cash overdraft	(10,142)	(65,029)
Accounts payable	51,181	33,557
Accrued expenses	(7,587)	1,302
Funds held for others	4,412	(3,763)
Accrued leave payable	28,946	12,901
Due to government	(14,799)	(1,246)
Net cash provided (used) by operating activities	<u>(190,654)</u>	<u>99,526</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	1,920,430	-
Proceeds from certificates of deposit	-	111,557
Purchase of property and equipment	<u>(1,031,804)</u>	<u>(7,358)</u>
Net cash provided by investing activities	<u>888,626</u>	<u>104,199</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	-	100,800
Repayment of borrowings	<u>(836,183)</u>	<u>(83,006)</u>
Net cash provided (used) by financing activities	<u>(836,183)</u>	<u>17,794</u>
NET INCREASE (DECREASE) IN CASH	(138,211)	221,519
CASH AT BEGINNING OF YEAR	<u>267,879</u>	<u>46,360</u>
CASH AT END OF YEAR	<u>\$ 129,668</u>	<u>\$ 267,879</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for:		
Interest	\$ <u>13,394</u>	\$ <u>82,917</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>
Noncash financing and investing activity:		
Purchase of vehicles through notes payable	\$ <u>55,852</u>	\$ <u>-</u>

See accompanying notes.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

ORGANIZATION:

Louise S. Davis Developmental Center, Inc. was organized to provide residential and educational services for mentally handicapped individuals. The Center's primary source of revenue is governmental grants.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*.

The statements of activities present expenses of the Center's operations functionally between program services, fundraising and administrative. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Statements of Cash Flows:

For purposes of the statements of cash flows, the Center considers cash and cash equivalents to be all items designated as "cash" on the statements of financial position.

Property and Equipment:

Property and equipment are stated at cost, with the exception of donated items, which are stated at fair market value at date of donation. The Center uses the straight-line depreciation method over the useful life of its property. Depreciation expense of \$37,325 and \$77,184 was incurred for the years ended June 30, 2003 and 2002, respectively.

Contributed Services:

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.

Volunteers provided fundraising and other services throughout the year that are not recognized as contributions in the financial statements because the recognition criteria under SFAS No. 116 were not met.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accounts Receivable:

The majority of accounts receivable represents amounts due from the State of Louisiana for grants and contracts to provide services.

The Center has elected to charge the write-off of accounts receivable directly to bad debt expense in the year such accounts are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Cash - Restricted:

Cash is restricted in the amount of the funds held for the clients of the Center.

Income Taxes:

The Louise S. Davis Developmental Center, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. NOTES PAYABLE:

Louise S. Davis Developmental Center, Inc. was indebted to the following as of June 30, 2003:

<u>Holder</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Secured By</u>	<u>Amount</u>	<u>Current</u>	<u>Long- Term</u>
Hibernia National Bank	10/01/26	7.625%	Building	\$ 91,614	\$ 1,540	\$ 90,074
GMAC	04/30/04	5.9%	Auto	4,451	4,451	--
GMAC	08/07/07	0%	Auto	23,146	5,555	17,591
GMAC	08/07/07	0%	Auto	23,397	5,615	17,782
Gulf Coast Office Products, Inc.	06/11/05	7.00%	Copy Machine	<u>6,869</u>	<u>3,469</u>	<u>3,400</u>
				<u>\$ 149,477</u>	<u>\$ 20,630</u>	<u>\$ 128,847</u>

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

2. NOTES PAYABLE: (Continued)

Louise S. Davis Developmental Center, Inc. was indebted to the following as of June 30, 2002:

<u>Holder</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Secured By</u>	<u>Amount</u>	<u>Current</u>	<u>Long-Term</u>
Hibernia National Bank	Demand	8.98%	Building	\$ 723,765	\$ 723,765	\$ --
Hibernia National Bank	10/01/26	7.625%	Building	93,107	1,422	91,685
Hibernia National Bank	Demand	9.50%	Building	45,330	45,330	--
Hibernia National Bank	7/02/02	5.75%	Building	47,800	47,800	--
Gulf Coast Office Products, Inc.	6/11/05	7.00%	Copy Machine	10,104	3,235	6,869
GMAC	4/30/04	5.90%	Auto	<u>9,702</u>	<u>5,204</u>	<u>4,498</u>
				<u>\$ 929,808</u>	<u>\$ 826,756</u>	<u>\$ 103,052</u>

At June 30, 2002, the Center had a \$50,000 line of credit with Hibernia National Bank. The balance due on the line of credit at June 30, 2002 was \$47,800, as detailed above.

Total interest expense for the years ended June 30, 2003 and 2002 was \$13,394 and \$82,917, respectively. Maturities of notes payable are as follows:

<u>Year Ended June 30,</u>	
2004	\$ 20,630
2005	16,232
2006	12,963
2007	13,104
2008	3,949
Thereafter	<u>82,599</u>
	<u>\$ 149,477</u>

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

3. COMMITMENTS AND CONTINGENCIES:

The Center receives a substantial amount of its support from the federal government passed through the State of Louisiana. A significant reduction in the level of this support, if this were to occur, may have an effect on the Center's programs and activities.

4. LEASES – VEHICLES AND EQUIPMENT:

Operating:

The Center leased a car under a three-year operating lease that commenced on January 7, 2000. Monthly payments of \$298 were made through January 2003. Total lease expense for the auto for the years ended June 30, 2003 and 2002 was \$1,545 and \$4,018, respectively.

The Center leases a postage machine at \$133 per quarter under a lease expiring March 2004, a computer at \$72 per month expiring January 2006 and a copier at \$51 per month expiring December 2005. Total equipment lease expense for the years ended June 30, 2003 and 2002 was \$2,068 and \$1,645, respectively.

Future minimum lease payments for operating leases are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2004	\$ 1,750
2005	1,484
2006	<u>814</u>
	<u>\$ 4,048</u>

Capital:

The Center has acquired a copier with a cost of \$16,227 under a capital lease. (See Note 2 for disclosure of the lease terms). Amortization of the leased asset is included in depreciation expense.

5. CASH DEPOSITS IN EXCESS OF INSURED LIMITS:

The Center maintains cash balances at several financial institutions located in the New Orleans area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2003 and 2002, the Center's uninsured cash balances totaled \$43,256 and \$96,061, respectively.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

6. PROVIDER FEES:

The State of Louisiana Department of Health and Hospitals imposes a provider fee for Intermediate Care Facility servicers. For the years ended June 30, 2003 and 2002, the fees incurred were \$115,978 and \$115,083, respectively, for the Center and \$67,722 and \$72,105, respectively, for the community homes.

7. USE OF ESTIMATES:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. ACCRUED LEAVE PAYABLE:

Employees of the Center accrue vacation and sick leave on a monthly basis. Vacation leave must be used within twelve months of the time it is earned. Unused vacation leave at calendar year end may be compensated at fifty percent of employee's current salary, not to exceed thirty days. Employees are allowed to carry over up to twelve hours sick leave to the next calendar year. At termination of employment, employees are not compensated for unused sick leave. At June 30, 2003 and 2002, vacation and sick leave was accrued in the amount of \$78,343 and \$49,397, respectively.

9. LEASES - BUILDINGS:

During the year ended June 30, 2003, the Center rented land and buildings which it previously owned from the purchaser. The lease expired in June 2003. Total rent expense for the property was \$81,667 during the year ended June 30, 2003.

Commencing June 20, 2003, the Center is renting administrative office space from a company owned by a member of the Center's board of directors. The lease expires in May 2006, and the monthly rent is \$1,450. Rent expense for this property for the year ended June 30, 2003 was \$483. Future minimum rent expense is as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2004	\$ 17,400
2005	17,400
2006	<u>15,950</u>
	<u>\$ 50,750</u>

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

10. RELATED PARTIES:

During the year ended June 30, 2003, the Center engaged in transactions with a member of the Center's board of directors.

A company owned by the treasurer of the Center performed renovations on five of the Center's community homes. The Center incurred costs of \$344,099 for the renovations during the year ended June 30, 2003. These costs have been capitalized as building improvements. At June 30, 2003, \$32,364 of these costs are included in accounts payable.

The Center also rented office space from a company owned by the treasurer of the Center. See footnote 9 for details of the rental agreement.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 3, 2003

Board of Directors
Louise S. Davis Developmental Center, Inc.
7240 Crowder Blvd., Suite 401
New Orleans, LA 70127

We have audited the financial statements of the Louise S. Davis Developmental Center, Inc. (the Center), as of and for the year ended June 30, 2003, and have issued our report thereon dated October 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-01 and 2003-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Center in a separate letter dated October 3, 2003.

This report is intended solely for the information and use of the Board of Directors and management of Louise S. Davis Developmental Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Louise S. Davis Developmental Center, Inc. for the year ended June 30, 2003 was unqualified.
2. Internal Control
Material weaknesses: none noted
Reportable conditions: two instances noted
3. Compliance
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING
STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

Cash Disbursements: Supporting Documentation (2003-01)

During the audit for the year ended June 30, 2003, it was noted that supporting documentation for cash disbursements frequently could not be located or the supporting documentation did not match the disbursement. This documentation is an important part of the books and records, and effective internal control procedures should not allow for this to occur. To provide adequate documentation for audit purposes and Cost Report purposes, a copy of each invoice should be retained, matched to the payment and filed properly for each disbursement. We recommend that the Center consistently maintain a regular, systematic filing system.

Cash Management: Revenue (2003-02)

During the audit for the year ended June 30, 2003, it was noted that Title 19 revenue, Medicaid Waiver revenue and Client Liability revenue was not monitored on a monthly basis to ensure receipt of the correct amount of funds due to the Center. As a result, the Center received both overpayments and underpayments of these revenues for the fiscal year. The Center has contacted the State and client guardians to correct the revenue received, and the appropriate receivables and payables were recorded during the audit. We recommend that, upon receipt, the monthly revenue be matched to the billing documents. Any discrepancies should be investigated on a timely basis.

LOUISE S. DAVIS DEVELOPMENTAL CENTER, INC.
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

SUMMARY OF PRIOR YEAR FINDINGS:

Closure of Accounting Records (2002-1)

As part of the Center's internal control system, the monthly accounting records should be closed on a timely basis. This includes recording of journal entries, reconciliation of bank accounts and reconciliation of accounts payable and client personal needs subsidiaries to the general ledger. Performance of this control ensures that all transactions are recorded properly in the general ledger.

Many of these functions were not performed on a timely basis during the year ended June 30, 2002. The Center lacked adequate personnel to perform these functions. The balances in many general ledger accounts were incorrect due to batches posted to the wrong period, errors in account coding and information transferred improperly during an update of the accounting software. If the accounting records had been closed and reconciled on a timely basis, the errors could have been corrected monthly.

We recommended that the accounting records of the Center be closed on a timely basis. The Center corrected this finding during the year ended June 30, 2003.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

October 03, 2003

Board of Directors
Louise S. Davis Developmental Center, Inc.
7240 Crowder Blvd., Ste. 401
New Orleans, LA 70127

In planning and performing our audit of the financial statements of Louise S. Davis Developmental Center, Inc. for the year ended June 30, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Louise S. Davis Developmental Center, Inc.'s ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cash Disbursements: Supporting Documentation (2003-01)

During the audit for the year ended June 30, 2003, it was noted that supporting documentation for cash disbursements frequently could not be located or the supporting documentation did not match the disbursement. This documentation is an important part of the books and records, and effective internal control procedures should not allow for this to occur. To provide adequate documentation for audit purposes and Cost Report purposes, a copy of each invoice should be retained, matched to the payment and filed properly for each disbursement. We recommend that the Center consistently maintain a regular, systematic filing system.

Cash Management: Revenue (2003-02)

During the audit for the year ended June 30, 2003, it was noted that Title 19 revenue, Medicaid Waiver revenue and Client Liability revenue was not monitored on a monthly basis to ensure receipt of the correct amount of funds due to the Center. As a result, the Center received both overpayments and underpayments of these revenues for the fiscal year. The Center has contacted the State and client guardians to correct the revenue received, and the appropriate receivables and payables were recorded during the audit. We recommend that, upon receipt, the monthly revenue be matched to the billing documents. Any discrepancies should be investigated on a timely basis.

During our audit, we became aware of certain matters that we feel are opportunities for strengthening internal controls and operating efficiencies. Our comments are suggestions that are summarized below.

Cash Disbursements: Accurate Classifications (2003-03)

Errors in account classifications made in the cash disbursements process caused numerous reclassification entries to be made throughout the year and during the audit. Proper account classifications are critical to producing accurate financial statements from which informed business decisions can be made. Proper account classifications will also ensure accuracy of the Cost Reports submitted to the State of Louisiana. Accurate account classifications should be made at the start of the cash disbursements process with few, if any exceptions. We recommend that the following steps be taken to ensure the accuracy of all transaction entries at their origin:

- ? A detailed description of the purpose for the purchase made and the home or function to which it relates should be documented on the requisition.
- ? The accounting supervisor should review all invoices for proper account coding before the invoices are posted in the accounts payable system.
- ? After each accounts payable batch is input, an edit summary report should be printed and reviewed for key punch errors.

Vendor Statements (2003-04)

During audit procedures for the year ended June 30, 2003, several instances were noted where disbursements were made from vendor statements instead of from original invoices. This can create a situation of unnecessary payments which results in a loss of cash. To maintain stronger controls over cash disbursements, we suggest that payments only be made after original invoices are reconciled to vendor statements. We also suggest that any past due balances that appear on vendor statements be investigated on a timely basis before any payment is made. The original invoices and vendor statement should be maintained with the copy of the check within the cash disbursement filing system.

This report is intended solely for the information and use of the Board of Directors and management of Louise S. Davis Developmental Center and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



William G. Stamm, CPA
Partner

WGS/ckr

Louise S. Davis Developmental Center
7240 Crowder Blvd., Suite 401
New Orleans, LA 70127
Telephone: 504-245-1002
FAX: 504-245-8876

December 5, 2003

Legislative Auditor
State of Louisiana
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Legislative Auditor,

This letter is in response to the findings noted in our audit report and management letter for the year ended June 30, 2003.

During the audit year ended June 30, 2003 the Louise S. Davis Developmental Center was downsizing and relocating its operation and residential clients into five new group home settings. During this demanding time of planning, property acquisition, and renovations to meet Federal and State requirements, the Business Office Manager, who had been with the Center for 18 years resigned under this pressure.

Administration then obtained a full-charge accountant with many years of experience from a temporary agency. This accountant was hired as an employee of the Center, and led Administration to believe that she was an experienced accountant familiar with non-profit accounting. She also abruptly resigned after approximately three months.

The Center has resolved any potential future problems by hiring a well-respected accounting firm who will perform monthly accounting services as well as be available to train and assist the present staff.

The immediate corrective action has been taken as follows:

2003-01

To provide adequate documentation for audit purposes and Cost Reports, a copy of each invoice is retained, matched to the payment and is filed properly for each disbursement. The Center must consistently maintain a regular, systematic filing system.

2003-02

Title XIX billing: Upon receipt, the monthly revenue is matched to the billing document. Any discrepancies are investigated immediately by the Administrative Assistants. The Administrator is kept apprised.

2003-03

- a) To ensure the accuracy of all transaction entries at their origin, a detailed description of the purpose for the purchase made and the home or function to which it relates will be documented on the requisition.
- b) An Administrative Assistant will review all invoices for proper account coding before the invoices are posted in the accounts payable system.
- c) After each accounts payable batch is input an edit summary report is printed and reviewed by the accountant for keypunch errors.

2003-04

- a) Payments will be made only after original invoices are reconciled to vendor statements.
- b) Any past due balances that appear on vendor statements are investigated on a timely basis before any payment is made.

With the implementation of the above practices and the services performed through the agreement with the outside accounting firm, the Center has strengthened its internal controls and operating efficiencies.

Sincerely,

A handwritten signature in black ink, appearing to read "Joan D. Burke". The signature is fluid and cursive, with a large initial "J" and "B".

Joan D. Burke
Administrator

CC: Duplantier, Hrapmann, Hogan and Maher
Audit Files